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UNCLAS OTTAWA 001197

SIPDIS

STATE FOR WHA/CAN (HOLST, WHEELER), EB/TRA (BYERLY), EAP/CM

STATE PASS USTR FOR SAGE CHANDLER

TRANSPORTATION FOR OST/IA (EDDIE CARAZO AND SUSAN MCDERMOTT)

COMMERCE FOR 4320/MAC/WH/ONIA/WORD

FAA FOR KRISTA BERQUIST

DHS/TSA FOR SUSAN WILLIAMS

E.O. 12958: N/A

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SUBJECT: Canada and China conclude expanded air transport agreement

1. On April 19 Canada's Transport Minister Jean Lapierre and International Trade Minister Jim Peterson announced the conclusion of a new and expanded bilateral air transport agreement with the People's Republic of China. The new entitlements include possibilities for all-cargo and code-sharing air services by the airlines of Canada and China. In addition, it expands the 1973 agreement by providing for a three-fold increase in permitted passenger and cargo flights to be operated by more airlines between more city pairs and under more flexible operating conditions than under the previous agreement. (Under the terms of the 1973 agreement, Air Canada operated 7 flights per week Vancouver-Beijing and Air China operated 3 flights per week Beijing-Shanghai-Vancouver.)

2. Industry observers expect immediate benefits for both national carriers: Air China will build on its daily service between Beijing and Vancouver, and Air Canada will start flying non-stop between Toronto and Beijing in June 2005. The air transport agreement comes in the wake of the January 2005 recognition by the PRC of Canada as an approved tourism destination - a move that is expected to result in a dramatic increase in the number of Chinese visitors to Canada. Official recognition means that Canada can now actively market Canada as a tourist destination in China. Last year, only 77,000 visitors came to Canada from China, but some observers estimate that as many as a half-million to one million Chinese tourists a year could seek to visit Canada, making the approved status worth billions of dollars and ensuring full flights to and from China. As for travel the other direction, China Tourism Commission figures indicate that some 348,000 Canadians traveled to China in 2004.

3. Post has been informed that it will be two to three months before the agreement is released publicly (to allow for translation into French). When a copy of the agreement is available, we will provide it to EB/TRA.

Dickson